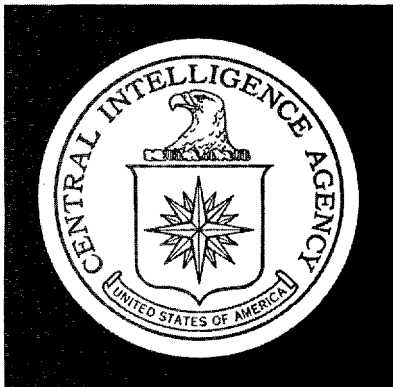


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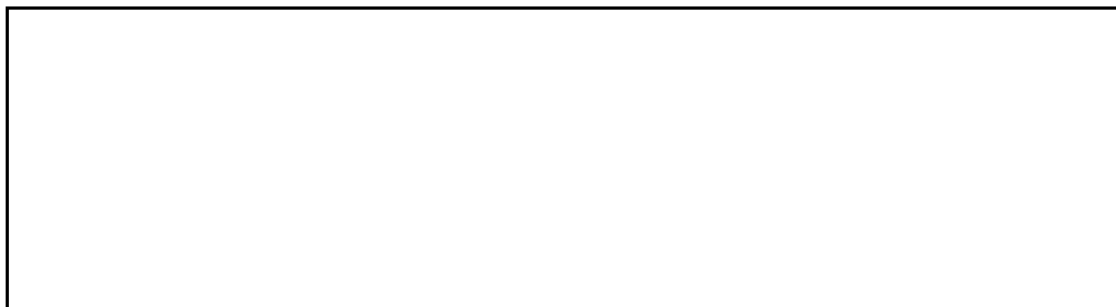
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[ Vietnam: Hanoi's number one negotiator in Paris, Le Duc Tho, is in Moscow on his way back from Hanoi.

Tho spent nearly 11 weeks in Hanoi, a period long enough for the politburo to review extensively the negotiations and assess the spring military offensive in South Vietnam. Tho is almost certainly armed with new instructions on how the Communists are to proceed during the next few months in the talks. His reappearance in Paris will not necessarily signal an early change in the current attitude of the Communist negotiators, but it does suggest that the North Vietnamese leadership anticipates new developments in the talks over the next few months and has prepared its negotiating strategy.

\* \* \* \*

A prominent South Vietnamese politician, Senator Tran Van Don, has informed US Embassy officials in Saigon that the Communists have contacted him about possible cooperation with General Duong Van "Big" Minh in a new coalition government to replace the present government. Don's approach to the embassy official was probably designed to get a reading on US reaction to such a coalition. He claimed that he had declined the Communist suggestion, at least for the time being, but also volunteered that such contacts are frequent and widespread.

These contacts represent Communist attempts to promote their "peace cabinet." The fact that a major figure like Don does not rule out participation in such a government almost certainly encourages the Communists to believe they are on the right track and can eventually undermine the Saigon political structure. [REDACTED]

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USSR: In keeping with the de-emphasis of the military aspect of the May Day festivities, party chief Brezhnev took a moderate line on major foreign policy issues in his brief speech.

Although he reiterated such conventional themes as "national liberation struggle," he also specifically endorsed "the solution of international problems through talks." He listed as the principal items in the Soviet program the restriction of the arms race and removal of the most dangerous sources of tension in Europe, Southeast Asia, and the Middle East. In contrast with last year's May Day speech, by Defense Minister Grechko, and other recent leadership pronouncements, there was no reference to either the ideological or military threat from the West.

Brezhnev's language on Vietnam was mild. He did not mention the US by name or call for "expulsion of the imperialists" as Grechko did a year ago. His formulations on the Middle East and Eastern Europe were equally temperate. He did not refer to the customary whipping boys--Israel, West Germany, and NATO. Embassy observers saw relatively few anti-American placards, but noted a number of "shame on Mao" posters in the parade. Brezhnev did not allude, however, directly to the Peking regime.

The pacific nature was reinforced by the absence of the traditional military section of the parade, and by the fact that a leading military figure did not make the major speech as in the past. In a brief muted statement directed to the military establishment, Brezhnev said merely that "the country spares neither resources nor funds to ensure that its defenders have everything necessary for the impregnable defense of our boundaries."

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Orders to curtail military participation in the ceremonies came late in the game. In early April heavy military equipment for the parade was noted in Moscow, and not until 27 April did the Soviets formally announce that it was not "expedient" to hold the military march-past. This tardiness may have resulted solely from bureaucratic fumbling. It could also signify that the decision to put the accent on peaceful intent at the expense of vigilance did not come easily in the Soviet politburo. All of the key members of the politburo and the leading military figures, however, were present yesterday on the reviewing stand.

The Soviet leadership probably has several reasons for choosing to show the world a more benevolent image at this time. This position contrasts with the Chinese attitude and lessens the opprobrium of Soviet behavior in Czechoslovakia, thereby strengthening the Soviet position at the forthcoming International Communist Conference. Moscow may also be interested in creating an improved East-West climate and especially in encouraging the US-Soviet dialogue.

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USSR: Soviet industrial growth during the first three months of this year was unusually low.

Moscow's official report claims that industrial production was only 6 percent higher than that of the first quarter of 1968. The 1968 gain over 1967, in the same period, was 9.3 percent. The latest figure is also well below the 7.3 percent increase planned for industrial output during all of 1969.

The 3.3 percent rate of growth of industrial labor productivity is to be compared with both the 6.1 percent increment during the first quarter a year ago and the 5.9 percent increase planned for the full year 1969.

Apart from the important defense-related sector of machine building, which apparently continued its high rate of growth, key industrial sectors such as fuels, metals, and construction materials turned in particularly bad results. As noted earlier this year, the official explanation for the over-all industrial results was that the severe winter weather created "serious difficulties" in "individual industrial sectors."

Moscow's statistical report was issued about two weeks later than usual. Reflecting the poor performance of Soviet industry, General Secretary Brezhnev's remarks on May Day on the economy were unspecific and not particularly laudatory. [REDACTED]

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Czechoslovakia: Husak's firm posture and security measures have brought an uneasy calm to the country.

Yesterday's elaborate security precautions in Prague succeeded in heading off significant May Day protests against the new leadership. The police had detained in advance about 300 alleged criminals considered most likely to provoke disturbances. A small number of them will remain in jail. Security officials probably will remain on alert until after 9 May, the anniversary of the Soviet liberation.

Party chief Husak, in a speech on the eve of May Day, argued that once the situation is "calmed"--an expression he pointedly substituted for "normalized"--he would focus on domestic problems. He held out the hope that a period of tranquillity might lead to the holding of party congresses and general elections during the first half of 1970. During Dubcek's tenure these goals were popular because this was considered a chance to rid the party and government of left-over hard-liners. Today such goals are likely to generate less enthusiasm. The convocation of a party congress, however, will lead to bitter factional infighting between the renascent conservatives and the party's remaining liberals.

Husak nevertheless tried for the first time to break the country's mood of hopelessness, frustration, and uncertainty. He spoke of his success in Moscow last week in putting relations on a better footing, hinting that as a result the issue of Soviet troop withdrawals might be negotiable. This hint could win him some support from those individuals who have so far adopted a "wait-and-see" attitude. There are no signs at present, however, that the Soviets are planning to withdraw any troops.

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Costa Rica - Panama: Costa Rica has approached the Organization of American States about sending a peacekeeping mission if Panama fails to respond satisfactorily to its protest over the latest border incursion.

In the second apparently unprovoked attack in three days, Panamanian guardsmen on 30 April penetrated Costa Rican territory and fired on homes. A fire fight between guardsmen of the two countries ensued. The Costa Rican civil guard is now on full alert.

Panama may claim the border violations were made by insurgents loyal to ousted Panamanian president Arnulfo Arias. The Panamanian ambassador in San Jose reportedly has denied that any violation took place.

National Guard chief General Torrijos reportedly is in an aggressive mood and is considering strong measures against Costa Rica which in his view has been unable or unwilling to control guerrilla activity along the border.

The Costa Rican security minister has made an urgent request to the US for arms and ammunition and says he will look to Europe if the US decision is not prompt.

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Japan: Extreme leftist students have been further isolated by an overwhelming public condemnation of their violent tactics on "Okinawa day."

Japanese media, as well as the opposition parties, have unanimously criticized the student excesses for shifting the focus from the main cause: Okinawan reversion. Okinawans who were in Tokyo for reversion day complained that the students damaged the cause by creating the impression that the reversion campaign is linked with violence and civil disorder.

Most major Japanese newspapers called on the police to take whatever action is necessary to prevent a repetition of violence and to eliminate this threat to public order. There was virtually no criticism of the strong measures used by police to curb the students.

Despite the strong public criticism, ultraleftist students are unlikely to abandon violent tactics in developing their "struggle" against the extension of the US-Japan Mutual Security Treaty in 1970. Public condemnation of leftist student violence during the last two years has had no apparent effect on the students. The criticism, however, is likely to discourage other opposition elements from endorsing the use of violent tactics in the antitreaty campaign.

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Nationalist China: A scandal involving several top Nationalist officials threatens to become a major embarrassment for the Chiang Kai-shek regime.

On 29 April President Chiang, in a highly unusual presidential mandate, announced the resignation of Hsu Po-yuan, governor of the Central Bank of China and minister without portfolio. Hsu, a long-time associate of Generalissimo Chiang, has been implicated in a case of large-scale corruption involving a fruit export cooperative. There is also evidence that the minister of the interior, the governor of Taiwan, and other high officials may be involved in the scandal.

The investigation, carried out by the Ministry of Justice, has already resulted in a number of arrests, including the chairman of the cooperative. Most of those arrested are Taiwanese, a fact that reportedly pleased the Generalissimo.

President Chiang's unusually abrupt action apparently reflects his anger at the wide scope of the case and the high rank of many of those implicated. Chiang may also be concerned over the denunciation of corruption within the government by some delegates at the recent Kuomintang party congress and over the future vitality of his party.

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